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**SAN DIEGO UNIFIED PORT DISTRICT  
SINGLE AUDIT REPORT ON FEDERAL AWARDS**

Year ended June 30, 2008

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**SAN DIEGO UNIFIED PORT DISTRICT**  
**SINGLE AUDIT REPORT ON FEDERAL AWARDS**

Year ended June 30, 2008

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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Port Commissioners  
San Diego Unified Port District  
San Diego, California

We have audited the financial statements of the San Diego Unified Port District, as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Diego Unified Port District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the San Diego Unified Port District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Diego Unified Port District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Diego Unified Port District's internal control over financial reporting.

Board of Port Commissioners  
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. In a separate letter dated October 31, 2008, we have communicated to management our recommendations regarding certain other matters for consideration by the District.

This report is intended solely for the information and use of the Board of Port Commissioners, The Department of Homeland Security, other federal agencies, and management of the San Diego Unified Port District and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 31, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Port Commissioners  
San Diego Unified Port District  
San Diego, California

Compliance

We have audited the compliance of the San Diego Unified Port District (SDUPD) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program(s) for the year ended June 30, 2008. SDUPD's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of SDUPD's management. Our responsibility is to express an opinion on SDUPD's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SDUPD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on SDUPD's compliance with those requirements.

In our opinion, SDUPD has complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of SDUPD is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SDUPD's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District of SDUPD's internal control over compliance.

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A control deficiency in SDUPD's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects SDUPD's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by SDUPD's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by SDUPD's internal control.

Our consideration of the internal control over compliance was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the San Diego Unified Port District as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Port Commissioners and management of the San Diego Unified Port District and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Hoffman McLean A.C.*

Irvine, California  
October 31, 2008

# SAN DIEGO UNIFIED PORT DISTRICT

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance number	Contracts/Grant No.	Expenditures
Department of Homeland Security			
Direct Funding:			
Port Security Grant Round 2	20.420	DTSA20-03-G-01152	\$ 176,881
Port Security Grant Round 3	* 20.420	HSTS04-04-G-GPS339	669,778
Port Security Grant Round 4	* 97.056	HSTS04-04-G-GPS618	828,029
Port Security Grant Round 5 - Harbor Police	* 97.056	2005-GB-T5-0096	1,281,626
Port Security Grant Round 5 - Maritime	* 97.056	2005-GB-T5-0125	264,892
Port Security Grant Round 6	* 97.056	2006-GB-T6-0091	116,630
HIDTA - Marine Task Force	99.XXX		86,902
Immigration and Customs Enforcement	97.XXX		15,303
K-9 Explosives Detection Team Program	97.072	DTSA20-03-H-01011	250,000
Subtotal			<u>3,690,041</u>
Pass-Through:			
SHSGP - LETPP FY 2007	97.074	2007-0008	41,600
Homeland Security Grant Program FY05-Governor's OHS	97.067	2005-15	66,937
FY05 Urban Area Security Initiative Grant Program	* 97.008	2004-EU-T3-0049	326,471
SHSP FY06	97.073		5,560
Subtotal			<u>440,568</u>
Total Department of Homeland Security			<u>4,130,609</u>
U.S. Department of Justice			
Direct Funding:			
Narcotic Task Force Program - DEA	16.579		6,110
Multi-Disciplinary Anti-Trafficking Task Force	16.320		1,683
Bulletproof Vest Program FY2007	16.607		1,380
SD Joint Terrorism Task Force/FBI	16.XXX	66F-SD-C61391	15,922
Total U.S. Department of Justice			<u>25,095</u>
U.S. Environmental Protection Agency			
Direct Funding:			
Pollution Prevention	66.708	NP-00946501-1	7,603
Total U.S. Environmental Protection Agency			<u>7,603</u>
National Oceanic & Atmospheric Administration			
Direct Funding:			
San Diego Bay A-8 Anchorage Marine Debris Removal Project	11.463	NA07NMF4630156	12,893
Total National Oceanic & Atmospheric Administration			<u>12,893</u>
Total Expenditures of Federal Awards			<u>\$ 4,176,200</u>

\* Tested as a major program

See accompanying note to schedule of expenditures of federal awards.

## SAN DIEGO UNIFIED PORT DISTRICT

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND AWARDS

(1) **Summary of significant accounting policies applicable to the schedule of expenditures of federal awards**

**Scope of presentation** - The accompanying schedule presents only the expenditures incurred by the San Diego Unified Port District (SDUPD) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by SDUPD from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

**Basis of accounting** - The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

**Subrecipients** - There were no federal funds passed through to subrecipients for the year ended June 30, 2008.



**SAN DIEGO UNIFIED PORT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2008

**(A) Summary of auditors' results**

1. An unqualified opinion was issued by the auditors on the financial statements of the auditee.
2. No material weaknesses in internal control were reported for the period under audit, nor were there any significant deficiencies reported.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses or significant deficiencies reported related to internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were CFDA No. 96.056 Department of Homeland Security, Port Security Grants Rounds 3, 4, 5 and 6 and CFDA No. 97.008 FY 05 Urban Area Security Initiative Grant Program. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
8. The auditee qualified as a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended June 30, 2008 for purposes of major program determination.

**(B) Findings related to the financial statements which are required to be reported in accordance with GAGAS**

There are no auditors' findings required to be reported in accordance with GAGAS.

**SAN DIEGO UNIFIED PORT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(Continued)

**(C) Findings and questioned costs for Federal Awards as defined in Paragraph .510(a) of OMB Circular A-133**

There were no questioned costs for Federal Awards as defined in Paragraph .510(a) of OMB Circular A-133.

**Prior Audit Findings**

There were no audit findings for the year ended June 30, 2007.